
CD EXCHANGE

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HUD OFFERS PROPOSAL TO REFORM COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

*Jackson makes case for "formula
fairness"*

Across America, there are areas of high poverty and community distress that currently receive less federal funding than more affluent communities. The reason? Funding formulas intended to measure need haven't changed since 1978 while the country has undergone significant and dynamic demographic and socio-economic change. To correct this funding disparity, Housing and Urban Development Secretary Alphonso Jackson has offered Congress *The Community Development Block Grant (CDBG) Reform Act of 2006* that seeks to change the underlying formulas to CDBG.

"More than 30 years ago, CDBG was designed to target the needs of our cities, counties and states," said Jackson. "It's increasingly clear that an outdated formula that once measured the needs of urban America no longer reflects the modern needs of today's communities. This is about fairness. Communities with the greatest needs deserve more funding compared to relatively less needy places. It's only fair."

A Case for Formula Fairness

Last year, HUD published *CDBG Formula Targeting to Community Development Need*, the Department's fifth major analysis of how the hallmark block grant program meets the needs of urban America. Using data on poverty, fiscal distress, economic decline, crime, unemployment, and housing problems, HUD found stark examples of areas that are currently under-funded based upon their actual needs. Likewise, other communities receive relatively large grants yet have relatively few community development needs.

For example, Congress modified CDBG's formulas in 1978 and determined that the number of homes built before 1940 was a good measure of community development need. But nearly three decades later, placing so much emphasis on the number of older homes effectively penalizes some high-need cities like Detroit, Michigan; East St. Louis, Illinois; and, Gary, Indiana. Over the years, these communities were very aggressive in tearing down older slum housing, one of the statutory goals of the program, and consequently receive less funding for their efforts. Meanwhile, more affluent bedroom communities receive relatively more funding primarily because they have a significant amount of rehabilitated older housing.

The CDBG formula allocates funding in such a way that many high-need areas receive similar grants compared to more affluent communities. Miami, Florida; Compton, California; Macon, Georgia; Passaic, New Jersey; and, Memphis,

Tennessee are just a few of the high-need communities that are significantly under funded based on their actual needs.

CDBG's formula currently rewards towns with large college student populations by including the incomes of these full-time dependant students in calculating poverty. As a result, the poverty rates in these college and university towns appear high. By excluding the incomes of full-time dependant students who are financially supported by their parents, the poverty rate in these college towns drops to a level which is much more reflective of that community's actual need.

HUD proposes to change the complex dual formula system that currently allocates funding to a simpler single formula. The proposed CDBG formula would use five variables to allocate funds:

- The number of households living in poverty, excluding full-time dependant college students.
- The number of overcrowded housing units.
- The number of female head of households with minor children.
- The number of homes 50 years or older occupied by a low-income family.
- The per capita income of the community relative to the per capita income of its metropolitan area.

In addition to modernizing CDBG's formula, HUD proposes to create a minimum grant threshold for entitlement communities to be eligible for an annual allocation. Currently, some communities receive a relatively small grant each year. It's been HUD's experience that smaller grants allocated to hundreds of communities dilute CDBG's impact. Smaller grantees that do not meet this new threshold may receive larger grants

by prevailing on their CDBG-funded programs at the state level or by joining with their urban county to create a new combined entitlement community. Based on the appropriation level for fiscal year 2006, *The CDBG Reform Act* would set the minimum grant threshold at \$518,000.

Improving Performance Measurements

The CDBG Reform Act is designed to further enhance performance measurement and accountability in the block grant program by holding communities more accountable in fostering suitable living conditions, developing affordable housing, and creating economic opportunity. To help communities in meeting these objectives, HUD intends to train more than 2,000 local housing and community planners in 15 training sessions around the country.

Challenge Grants

HUD also proposes to offer \$200 million in "challenge grants" to be awarded to certain entitlement communities that target their CDBG funding to areas of concentrated need. These challenge grants must be used in targeted neighborhoods as part of a community's strategy to expand economic opportunities in these distressed areas. These challenge grants may also be used to create affordable housing for low- and moderate-income households when part of a strategy that expands economic opportunities in areas of particular need.

Consolidation

The CDBG Reform Act also seeks to consolidate several programs that duplicate the broad program goals of CDBG. Those programs include: Brownfields Economic Development Initiative (BEDI); Rural Housing and Economic Development Program; and, Section 108 Loan Guarantee Assistance Program.

Since 1974, HUD's *Community Development Block Grant (CDBG)* Program has awarded approximately \$113 billion to state and local governments to target their own community development priorities. The rehabilitation of affordable housing and construction of public facilities and improvements have traditionally been the largest uses of the grants, although CDBG is also an important catalyst for job growth and business opportunities. CDBG funds are distributed by formula around the country based on a community's population, poverty, the age of its housing stock, and extent of overcrowded housing.

The full text version of the 2006 reform Act can be viewed at:
<http://www.hud.gov/content/releases/pr06-056act.pdf>

To read the full section-by-section analysis of the draft legislation visit:
<http://www.hud.gov/content/releases/pr06-056analysis.cfm>

Excerpted from HUD press release.

HUD Now Loading Projects from CPMP Into IDIS

HUD has built and tested a tool that will copy projects from CPMP produced plans into IDIS. It is now working. It does have two limitations. Grantees should not create the Plan Year in IDIS for which they are submitting a CPMP plan. The current version of the tool does not work if the Plan Year already exists in IDIS. HUD is modifying the interface to eliminate that obstacle in the near future.

Second, grantees should not create any projects in IDIS for a Plan Year if they want to have the projects loaded from the CPMP tool. The interface will not work if there are any projects already saved in IDIS for the Plan Year.

Information about the CPMP Tool and how to submit the plan is on HUD's website at
<http://www.hud.gov/offices/cpd/about/conplan/toolsandguidance/cpmp/index.cfm>

Excerpt from IDIS Listserv

For further information about these articles, please contact your CPD Rep in the Buffalo Office at 716-551-5755.